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INCOMING AIRGRAM **Department of State**

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Action NEA

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GE/N

The loss in revenues to the GOI from curtailment of operations at the Abadan Refinery because of the current difficulties over shipping in the Shatt-el-Arab has already been considerable. Since Feb. 21, throughput at the refinery has been about 135 thousand barrels per day, which is only about 40 percent of normal operating capacity (350 thousand barrels per day). This means that the average daily loss is 215 thousand barrels which, valued at the Consortium's figure of 78.5 cents per barrel/day, means a loss of almost $170-thousand per day in revenues to the GOI. The Consortium advises that all refining for export will have to be stopped within several days for lack of storage space if tankers do not move; thereupon, the daily loss of revenues to Iran (excluding the 50 to 60 thousand barrels per day refined for NIOC account) would be upwards of $225-thousand. With any lengthy delay, the loss in foreign exchange for Iran could be very damaging to an already strained reserves position.

The Consortium reports that some of the revenue loss could be made up by increased offtake of crude oil from Bandar Mashur, but this would depend on the extent to which member companies would nominate for exports; in any case, it would take about a month to get ships into position to increase the offtake of crude. The new Kharg Island facilities are servicing only two producing wells at Gach Saran, so that offloading there cannot be increased until new wells are brought in. If the cutbacks at Abadan Refinery are of short duration, they can be covered by somewhat higher throughput when things return to normal, but if they are of long duration, irreplaceable losses of revenue will occur.

The Consortium also reports that it cannot operate Abadan Refinery for a very long period for internal

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consumption alone because the pattern of domestic products demand is not suited to the refining facilities, which are designed for the export market. During 1960 the NIOC took almost 19 million barrels of products from Abadan for internal consumption; this is about 90 percent of requirements, the rest being supplied by the NIOC's Kermanshah Refinery. The latter refinery has just started shipment of products to Afghanistan in fulfillment of the recent trade agreement, which calls for Iranian exports of at least 17 thousand tons of products annually.

If restoration of refinery throughput is long delayed and if the crude cannot be diverted to Bandar Mashur for direct export, there will be repercussions in field production. Some of the old wells in the Agha Jari field, which is still by far the largest producing area, may have to be shut down. Since some of these old wells have struck salt layers, which has caused trouble in recent months, it may prove impossible to get them back into production after a shutdown. This could have an adverse effect on the expected rise in fields production in 1961 (Emb Des 403).

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